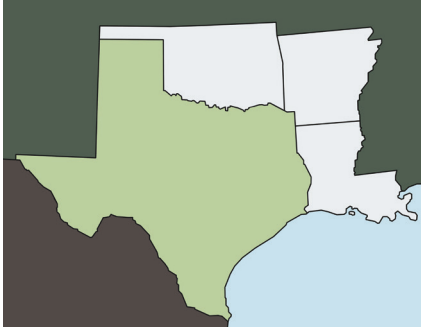# TEXAS Budget Report Card

WHILE MOST STATES CUT BACK on budget maneuvers as the economy expanded in fiscal 2015 through 2019, Texas stepped up its use of such one-time measures to cover recurring expenditures in the later years of the study period. The increase in maneuvers limited Texas's average grade in the category to a B. Actions included the legislature's authorizing a transfer of $668 million from special funds to the general fund to close a shortfall before the passage of the fiscal 2018–19 budget.

Texas had an even weaker performance in legacy costs, with an average of D-minus, the lowest possible grade. Just six other states fared that poorly. Its annual contributions for public worker pensions and other postemployment benefits (OPEB), primarily health care, consistently fell short of actuarially determined amounts. Its pension fund ratio dropped from 76 percent in 2017 to 69 percent in 2019, 2 percentage points below the total for all states.

As befits a state with vast oil and gas production, Texas scored an A average in reserve funds. It deposits a large portion of severance tax collections into the Economic Stabilization Fund in years when receipts exceed 1987 levels. This brought the fund to $10.1 billion in fiscal 2019, an amount equivalent to 19.3 percent of general fund expenditures.

Texas's average of C in budget forecasting was buoyed by measures requiring the Legislative Budget Board to prepare analyses of the impact of economic and demographic growth on the state's finances. The initial report, released in 2017, covered fiscal 2018–27, and a subsequent analysis covered fiscal 2020–29. Whether similar long-term projections continue will depend on the legislature's evaluation of the new process.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	A	C	C	D
Louisiana	B	C	D	A	B
Oklahoma	B	B	A	A	B
Texas	C	B	D-	A	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

TEXAS Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	B	B					
Consensus Revenue Forecasts	X	X	X	X	X					
Multiyear Expenditure Forecasts	X	X	X	✓	✓				●	●
Multiyear Revenue Forecasts	X	X	X	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●		
5-YEAR AVERAGE C										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	B	B	D	C					
Deferring Recurring Expenditures	✓	X	✓	X	✓	●				
Revenue and Cost Shifting	✓	✓	X	X	X		●	●		
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓				●	
Using Asset Sales and Up-Front Revenues	✓	✓	✓	X	X			●		
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Public Employee OPEB Funding	X	X	X	X	X					
Public Employee Pension Funding	X	X	X	X	X					
Public Employee Pension Funded Ratio*	76%	73%	76%	71%	69%					
5-YEAR AVERAGE D						●	●	●	●	●

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.
* **SOURCE** Bloomberg.